

Message Text

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ACTION NEA-16

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 AID-20 COME-00 EB-11 FRB-02 TRSE-00 XMB-07

OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 DRC-01 /154 W

----- 001245

R 031907Z JUN 74

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 1816

INFO AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

LIMITED OFFICIAL USE NEW DELHI 7297

E.O. 11652: N/A

TAGS: BEXP, IN

SUBJECT: GENERAL TIRE PROJECT REPORTEDLY FOUNDERING ON ISSUE
OF PRICES

REF: NEW DELHI 8661, JULY 26, 1973.

1. SEVERAL MONTHS AGO, GENERAL TIRE CO. RECEIVED GOI APPROVAL TO PROVIDE TECHNOLOGY AND EQUIPMENT WITH NO EQUITY PARTICIPATION FOR THREE TIRE PLANTS TO BE ESTABLISHED IN TAMIL NADU, RAJASTHAN, AND KERALA. THE TAMIL NADU PLANT WILL BE A SO-CALLED "JOINT SECTOR" PROJECT, OWNED BY THE STATE GOVERNMENT AND A LOCAL ENTREPRENEUR. THE RAJASTHAN PROJECT WILL BE FINANCED BY THE PRESITGIOUS JK GROUP (SINGHANIA FAMILY). THREE WEEKS AGO, IT WAS ANNOUNCED THAT THE RAUNAQ SINGH GROUP WOULD SENT UP T VI KERALA PLANT. THE IMPORT REQUIREMENT FOR THE THREE PROJECTS IS ESTIMATED AT DOLS 24 MILLION. THE AGREEMENT STATES THAT PROCUREMENT FOR THE PLANTS IS UNTIED (FREE WORLD SOURCES). ACCORDING TO THE LOCAL FNCB REPRESENTATIVE, THE EXIM BANK HAS MADE A PRELIMINARY COMMITMENT FOR AN EXPORT LOAN OF APPROXIMATELY DOLS 4 MILLION

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FOR THE RAJASTHAN PLANT.

2. RAUNAQ SINGH, CHARMAN OF THE GROUP WHICH WILL OPERATE THE KERALA PLANT, TOLD THE COMMERICAL ATTACHE THAT HE AND THE SINGHANIAS WERE VERY CONCERNED ABOUT "PRICE GOUGING" ON THE PART OF GENERAL TIRE AND THE US FIRMS WHICH MANUFACTURE THE EQUIPMENT REQUIRED FOR THE PLANT. ACCRODING TO SINGH, THE US SUPPLIERS HAVE RAISED THEIR PRICES BECAUSE THE TWO PRIVATE SECTOR PLANTS ARE SEEKING EXIM FINANCING, WHICH WOULD, OF COURSE, LIMIT THEM TO PROCUREMENT IN THE US. IN ADDITION, THERE IS A CLAUSE IN THE AGREEMENT WHICH SPECIFIES THAT GENERALTIRE WILL RECEIVE A THREE PRECENT COMMISSION ON ALL SALES OF US EQUIPMENT. SINGH SAID THAT THE TAMIL NADU GOVERNMENT, WHICH WAS THE FIRST TO SIGN AN AGREEMENT WITH GENERALTIRE HAD "VERY UNWISELY" ACCEPTED THIS CLAUSE. NOW, HE SAID, GENERAL TIRE IS ASKING FOR AN EVEN HIGHER COMMISSION.

3. SINGH AND THE SINGHANIAS ARE SERIOUSLY CONSIDERING OBTAINING EUROPEAN FINANCING FOR THE IMPORT OF GERMAN AND BRITISH EQUIPMENT IN PLACE OF THE EXIM FINANCED US EQUIPMENT. HAD HE TOLD GENERAL TIRE SOB HE ASKED US WHETHER IT WOULD BE POSSIBLE FOR COMMERCE TO ENCOURAGE GENERAL TIRE TO GET ITS SUPPLIERS TO QUOTE "A FAIR PRICE."

COMMENT: WE BELIEVE SOME SORT OF TACTFUL APPROACH TO GENRAL TIRE MAY BE DESIRABLE. IF SINGH'S ALLEGATION IS ACCURATE AND THE US FIRMS DO NOT REDUCE THEIR PRICES, WE COULD LOSE UP TO DOLS 16 MILLION IN EXPORT SALES. BOTH PRIVATE SECTOR GROUPS ARE FULLY CAPABLE OF CARRYING OUT THEIR THREAT, ALTHOUGH SINGH HAS TOLD US THAT BOTH HE AND THE JK GROUP WOULD PREFER AMERICAN EQUIPMENT.
SCHNEIDER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 03 JUN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: cunninfx
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974NEWDE07297
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740140-0873
From: NEW DELHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740680/aaaacrft.tel
Line Count: 91
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: NEW DELHI 8661, JULY 26, 1973.
Review Action: RELEASED, APPROVED
Review Authority: cunninfx
Review Comment: n/a
Review Content Flags:
Review Date: 15 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <15-Aug-2002 by rowelle0>; APPROVED <14 FEB 2003 by cunninfx>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GENERAL TIRE PROJECT REPORTEDLY FOUNDERING ON ISSUE OF PRICES
TAGS: BEXP, IN
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005